

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE PETITION OF SIGMA GAS CORPORATION |) | |
| FOR APPROVAL OF A CERTIFICATE OF |) | CASE NO. |
| CONVENIENCE AND NECESSITY TO CONSTRUCT |) | 94-435 |
| FACILITIES AND APPROVAL OF FINANCING |) | |

O R D E R

IT IS ORDERED that Sigma Gas Corporation ("Sigma") shall file the original and 10 copies of the following information with the Commission, with a copy to all parties of record within 15 days from the date of this Order. Sigma shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

1. Refer to Sigma's response to Item 1 of the Commission's February 10, 1995 Order. Provide the following:

a. The total number of responses, positive and negative, received by Sigma.

b. Of the negative responses received, how many customers currently heat with each of the following:

- (1) Electricity?
- (2) Propane?
- (3) Wood?
- (4) Coal?

c. Statistical evidence to support its conclusion that, based on 138 positive responses, an estimate of 200 new customers is reasonable.

2. In its amended application Sigma estimates it will add 250 customers initially. However in its original application, Sigma estimated it would add 200 customers initially. Reconcile these two numbers.

3. Provide a map indicating the areas where Sigma expects to add customers, and the number of customers expected to be added in each area.

4. Provide an analysis of utility plant in service similar to that shown on page 5 of the Commission's annual report form showing any plant additions and retirements that will result from the proposed construction.

5. Provide a schedule of any stranded costs Sigma will incur as a result of the proposed construction. Include costs associated with termination of any contracts and line(s), compressors or other assets that are not fully depreciated and that will not be needed as a result of the proposed construction.

6. Refer to Exhibit 1 of the amended application. Provide a breakdown of the legal and engineering fees totalling \$57,000 resulting from the proposed construction.

7. Refer to Exhibit 1, Attachment A, of the amended application:

a. Explain why the same amount of four- and two-inch pipe is proposed but each is at a lower cost per foot, \$4 and \$3, respectively.

b. In the amended application, Sigma proposes to install 2,000 feet of one-inch pipe. Where will the one-inch pipe be installed and for what purpose?

c. In its initial application, Sigma stated that the cost of customer connections would be \$187.50 each. Explain why the cost of each customer connection is now \$250, and provide a breakdown of the costs.

d. Of the \$632,671 construction estimate, how much will the three-mile addition cost?

e. Identify the location of the city gate.

8. Refer to Exhibit 2A of the amended application. Provide all facts and analysis performed by Sigma in arriving at its projection in paragraph 4 that the transportation fee would be about \$0.70 per Mcf.

9. Refer to Exhibit 2A of the amended application. Are the 40 customers referenced in paragraph 5 included in the 250 to 500 estimated new customers discussed on page 1? If yes, show where the customers are located on the map requested in Item 3.

10. Refer to Exhibit 3 of the amended application. According to the map depicting installation locations of the six- and four-inch pipe, a four-inch pipe will be installed along Highway 7 in Magoffin County.

a. In the plans submitted by Sigma, identify the sheet number on which this pipeline is located.

b. What is the length of this pipeline and what is its purpose?

11. Provide an analysis of the number of customers Sigma would need to add to its existing load in order for the company to break even on a cash flow basis. Include all assumptions and calculations used to arrive at this number.

12. Refer to Exhibit 4 of the amended application. Provide supporting workpapers, calculations and any necessary documentation for each item shown on the Pro Forma Financial Statements.

13. In Exhibit 6 of the amended application, Sigma states that it proposes to use \$171,348 of the loan to refinance a debt outstanding to the Bank Josephine. However, the December 31, 1994 balance sheet contained in the same filing lists the amount outstanding to Bank Josephine as \$164,734. Reconcile these two numbers and state whether Sigma is going to request a lesser amount of financing for any amount of the loan it has already extinguished.

14. Does Sigma have reason to believe that Auxier Road Gas Company, Inc. ("Auxier Road") will amend its tariff to establish a rate and provisions for an intrastate utility transportation service?

15. Will Auxier Road charge the 40 cents per Mcf transport fee to Sigma or Alliance Gas Services, Inc. ("Alliance")?

16. Support the reasonableness of the 40 cents per Mcf transportation charge.

17. Are the 40 new customers mentioned in Exhibit 2A of the amended application potential Sigma customers or potential Auxier Road customers?

18. Does Sigma expect its line loss (over 20 percent the last 2 years) to be alleviated by the proposed construction?

19. Attachment F of Sigma's second Department of Local Government application refers to three available sources of gas supply. Will Sigma's full requirements contract with Alliance permit purchases from cheaper, or any other, sources of supply?

20. Refer to the definition of "Best Efforts" in Section 1.2 of Article I of the gas sales and purchase contract between Alliance and Sigma. What is Sigma's understanding of the events enumerated that could cause discontinuance of service? Specifically address the possibility of (1) the pipeline or transporting LDC ceasing transportation service and (2) diversion of gas supply by the pipeline or LDC.

21. Explain the following sentence found in Article XI, Section 11.1 of the above-mentioned contract: "This Article XII shall not prevent either party from pledging or mortgaging its rights hereunder as security for its indebtedness."

22. Is the gas transportation service offered in the contract in Exhibit 9 firm service? What assurance does Sigma have that Auxier Road can meet its own system supply requirements as well as the full transportation requirements of Sigma's system?

23. Refer to the "corrected Billing Analysis for 1994."

a. Should total Mcf of 18,861 be 18,869?

b. Should all over 1 Mcf of 17,541 be 17,451?

c. Should revenue from all over 1 Mcf be \$105,928 instead of \$106,474?

d. Should total revenue be \$119,697 instead of \$120,243?

24. Explain why Sigma's annual report shows approximately \$43,000 in commercial and industrial revenues that are not included in Exhibit 4 of its amended filing.

25. What is the current status in acquiring the necessary easements and rights-of-way for the proposed construction? Clarify what additional easements or rights-of-way are needed due to the amended application.

26. According to the plans submitted by Sigma, the proposed pipeline will require two casings, one each on Highways 114 and 1427. Prior to beginning construction, will Sigma submit copies of drawings for each casing?

27. Based upon recent correspondence to the Commission from Auxier Road, Sigma's proposed six-inch pipeline will interconnect with Auxier Road's proposed four-inch pipeline. Assuming a peak winter day operating condition for Auxier Road and Sigma, and that Sigma has connected the proposed 250 new customers:

a. What volume (Mcf/day) of gas would Sigma need to meet this load?

b. What would be the minimum pressure required at Sigma's existing city gate (the point of interconnection between Sigma's existing Highway 114 pipeline and its proposed four-inch pipeline) to serve the proposed load?

c. What would be the minimum pressures at the proposed interconnection of Sigma's six-inch pipeline and Auxier Road's four-inch pipeline, and at the interconnection of Auxier Road's existing system and its proposed four-inch pipeline?

d. How many customers will be connected by Auxier Road and Sigma between the proposed interconnection of Sigma and Auxier Road pipelines and Sigma's existing Highway 114 pipeline?

e. What is the maximum allowable operating pressure ("MAOP") of Auxier Road's existing distribution system, and what will be the MAOP of Auxier Road's proposed four-inch pipeline?

Done at Frankfort, Kentucky, this 24th day of May, 1995.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director